


TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X (Ltr Only)		
2	DDCI		X	"	
3	EXDIR		X	"	
4	D/ICS				
5	DDI				
6	DDA	X (W/Report)			
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt		X (Ltr Only)		
13	D/OCA				
14	D/PAO				
15	D/PERS		X (Ltr Only)		
16	D/Ex Staff				
17					
18					
19			X		
20					
21					
22					
SUSPENSE		Date _____			

Remarks To # 6: For review and please have response for DDCI's signature upon his return.

STAT _____

Executive Secretary

20 oct 87

Date

3637 (10-81)



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 15 1987

Honorable Robert M. Gates
Deputy Director of Central Intelligence
Central Intelligence Agency
Washington, D. C. 20505

Dear Bob:

This letter provides OMB comments on CIA's preliminary report on a new proposed pay and personnel management system. I want to thank you and your staff for providing OMB with the opportunity to comment on the preliminary report. Your staff has produced a thoughtful report. Needless to say, most of the proposals could have far-reaching implications and I look forward to working with you as you develop final proposals to ensure that the proposals are consistent with the President's policies on pay and personnel. Your final proposals will require careful OMB and Administration consideration before being transmitted to the Congress for approval.

We have identified two critical deficiencies in the report that need to be corrected before recommendations can be formulated. First, the report should provide evidence of ongoing recruiting and retention problems to help justify the proposed new system, and it should explain how proposed changes will solve any recruiting and retention problems.

Second, the report should develop a systematic calculation of the cost of each proposed change to measure the potential impact on payroll costs. At this time, the Administration's personnel policy is to support only those personnel management changes that cost no more than the current General Schedule (GS) system. Naturally, proposed changes that are budget-neutral in the short- and long-term have the best chance to gain support in the Administration. To this end, you may want to consider a pay banding system linked to the GS system similar to OPM's proposal for a government-wide pay banding system which was sent to Congress on January 20, 1987. OPM's proposal is budget-neutral.

In addition, there are specific features of the proposed system which are currently inconsistent with the Administration's policies. Since Administration approval is highly uncertain, you may wish to reconsider them. They are:

- ° CIA tuition assistance or CIA-guaranteed and subsidized student loans;




P-103-15

- ° Reduction of employee taxable income through contributions to flexible spending accounts;
- ° Early retirement for managers and experts;
- ° Unreduced annuities for involuntary retirement;
- ° Retention bonuses; and
- ° Leave conversion, i.e., home leave use, SIS and non-SIS annual leave conversion to cash, and the conversion of forfeited annual leave to sick leave.

Other proposals, which represent changes from current practice or policy, will have to be carefully considered to ensure equity with other similar personnel systems. These include replacing position ceiling control with funding control; delegating position classification control to managers; and increasing the SIS bonus pool. Some proposals, such as data processing support, don't appear to be in conflict with policy but will have to be evaluated from a budgetary standpoint.

Thank you again for the opportunity to comment on this preliminary report. I look forward to working with you as you develop your final recommendations. Let me know if I or my staff can offer additional guidance.

Sincerely,



L. Wayne Arny, III
Associate Director
for National Security
and International Affairs